

EMPIRE ELECTRIC ASSOCIATION, INC.
MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
May 13, 2022

Regular meeting of the board of directors of Empire Electric Association, Inc. was held Friday, May 13, 2022, with the following directors present: David Sitton, Kent Lindsay, Jerry Fetterman, Bob Barry, Larry Archibeque, Norman Butler, and Audra Fahrion. Others present: General Manager Josh Dellinger, Attorney Tyler Denning, Executive Secretary / HR Representative Shawna McLaughlin, Financial Manager Ginny Johnson, Business Services Manager Chris Snyder, and Member Engagement Manager Andy Carter. Appearing by web conference: Operation and Engineering Manager Ken Tarr.

Others present by Web Conference: Member Heidi Brugger and Emiko South.

Others present in person: Member Corey Robinson, CoBank Senior Relationship Manager Michael Anthos, URECA Executive Director Jeff Peterson, and Conexon Executive Director Jonathon Chambers.

President Sitton called the meeting to order at 8:30 a.m.

Approve Consent Agenda:

Action Item: Lindsay moved to approve the consent agenda as presented, seconded by Archibeque. Motion carried.

Membership Input: None

CoBank Presentation: Senior Relationship Manager Michael Anthos gave a presentation regarding CoBank's products and services. He also discussed the CoBank bylaw amendments that the board will be voting on later in this meeting. He recommended that EEA have lender diversification and provided borrowing recommendations.

Utah Rural Electric Cooperative Association (URECA) Presentation: Executive Director Jeff Peterson gave a presentation regarding the business dealings of URECA. They do the lobbying and the government relations work for electrical cooperatives in Utah. Peterson discussed several items that are currently being discussed in Utah.

Monthly Safety Report: Dellinger mentioned that there was a personal injury noted in the safety report, but it was carried over from last month. There were no injuries in April. There was a scratch and a dent on one of the fleet vehicles that is unknown how the damage happened. Federated conducted their annual Safety and Loss Prevention assessment. A few minor things were noted, but overall, we received high marks.

Correspondence:

Article in the San Juan Record regarding the substation construction zone
Federated Annual Safety and Loss Prevention Assessment

Thank you letters:

Montezuma Food Coalition for the donation.

Pinon Project for the donation.

Siena Parr and Lilly Liguerra both sent thank you cards for our support of the San Juan BOCES Science Fair.

Egnar -Slickrock Volunteer Fire Department for the annual donation.

Energy Outreach Colorado for the matching donation.

Policy Review/Action:

Policy 10: Board of Directors – General Manager Relationship (04/10/2020): Dellinger stated that there were some minor typo corrections but no other recommended changes. Fahrion motioned to approve Policy 10 as presented, seconded by Butler. Motion carried.

Policy 11: Delegation of Authority from the Board of Directors to the General Manager (4/10/2020): Dellinger stated that there were some minor typo corrections but no other recommended changes. Fahrion motioned to approve Policy 11 as presented, seconded by Barry. Motion carried.

General Manager Report:

Action Item: CFC Cooperative System Integrity Fund: Dellinger explained that in past years we have donated 5% of our patronage refund to this fund and designated it to be used for territorial disputes only. Archibeque motioned to continue to contribute to the Integrity Fund by donating 5% of our patronage and designating it for territorial integrity purposes only, seconded by Lindsay. Motion carried.

CFC Annual Meeting Voting Delegate: Dellinger explained that the CFC Annual meeting is in Boston. No Director was interested in attending so there was not a delegate selected.

Action Item: CoBank Bylaw Amendments: Dellinger explained that CoBank is having a special election to consider two proposed bylaw amendments. One is a capitalization amendment to reduce their target equity range and the other is a governance amendment to remove some obsolete requirements. Lindsay motioned to vote for both bylaw amendments, seconded by Fahrion. Motion carried.

Action Item: Digger Derrick Budget Increase: Dellinger explained that we budgeted an amount for a new Digger Derrick truck and the amount of the quote is significantly higher than what was budgeted. A new truck is taking approximately two years to receive from the order date, and we need to increase the budget to allow for this purchase. Sitton asked if it would benefit us to do a lease instead of a purchase. Johnson explained that we keep our trucks for a long period of time so it has never penciled out to do a lease, but she will research this to see if it could work. Tarr explained that the digger truck we currently own is for the Monticello crew and it is a 2000 model. We normally replace a digger truck based on the hours and the age of the vehicle. Tarr explained the quote that we received is for a larger truck and why it would benefit EEA to get a larger truck. Discussion was had on if we could possibly continue to maintain this truck by replacing parts instead of purchasing a new one. Tarr explained that the truck is currently not a safety issue, and we can still get parts for it, but it is taking a couple of years to get these trucks ordered so it may need replaced by the time we can get a new truck. Tarr's recommendation is to purchase a new truck and not do the leasing option. Decision was made to table this agenda item so that staff can look at other options as far as leasing, cost of maintenance of the existing vehicle and look at the cost of a smaller truck and bring these options to next month's meeting.

Action Item: 990 Forms: Johnson explained that the 990 form is public information and this form is completed by our auditors CarlsonSV annually. Johnson summarized the audit letter and the form for the boards understanding. Lindsay motioned to approve the 990 Form, seconded by Butler. Motion carried.

Rate Structure Evaluation: Dellinger stated that last month the board asked questions regarding the rate structure being revenue neutral and whether members are responding to the rate signals. Johnson provided a presentation for the board that addressed these two questions. The numbers show that the rate structure does keep the cooperative revenue neutral. There have been small changes in our load compared to previous years, but it is difficult to tell whether those changes are weather driven or results of behavior changes.

Financials: Johnson reported on the financials for March. She discussed the small commercial and residential revenues. Several residential services that were classified as small commercial were discovered during our rate structure change and software conversion. These services have been reclassified, which has created a revenue variance. She also highlighted the proforma income statement.

Miscellaneous: Dellinger stated that CREA Board Meeting will be in Durango in August. He mentioned the agenda and stated that our Board and Key-staff are invited to this meeting. RSVP's need to be turned in by July 8, 2022. Those who want to attend should let McLaughlin know. These meetings will be held on August 2 and 3, 2022. Sitton mentioned that if you plan to attend both the dinner on Tuesday night and the meeting on Wednesday morning, you may want to consider staying the night in Durango.

Dellinger mentioned that Invenergy has a solar project in our area that continues to move forward. They are currently bidding it into Tri-State's latest RFP.

Dellinger reminded the board that the strategic planning session will be held on Tuesday, May 17 and Wednesday, May 18, 2022.

Consider Conexon Proposal and Presentation: Jonathon Chambers gave a presentation and proposal for Conexon to build a fiber network in our area. He gave a background on Conexon and how they began. They would build a fiber network that follows the electric network. He explained that they were the winning bidder of the RDOF funds for the southwest area of Colorado. Chambers gave the board a couple of options for them to consider. One option is that EEA finances and builds the system and Conexon leases it from us. The other is that Conexon owns it. With that option, they would build in our electrical space and allow us to use the network for our operational purposes but not pay a pole attachment fee. Conexon must decide by the end of the month whether to decline the RDOF funds they won in our area. No motion was made regarding the proposals. The Board will further discuss its overall broadband strategy during the upcoming strategic planning session.

Director Roundtable: None

Attorney: Denning provided a written report. Denning stated that he continues to wrap up a few items that he will bring to next months meeting.

Tri-State: Fetterman reported on the Tri-State meeting that was held last week. He went over the operating statistics from last month. Tri-State provided a donation for the New Mexico fires. Fetterman also mentioned that Tri-State is reviewing their rebate program and they are considering making changes for 2023. Dellinger reported on the Tri-State Rate Design Committee meeting.

CREA: Archibeque reported on the CREA Meeting. CREA has put together a cybersecurity task force. They will help cooperatives with cyber security. Colorado Country Life magazine is increasing prices due to postage and rising costs. CREA will be switching the agenda for the annual meetings around and will have the directors courses at the end of the annual meeting instead at the beginning. It will be at the Grand Hyatt again next year. Dale Kishbaugh is concerned about fatalities and contacts that have been happening in the electric industry across the country. CREA is putting together a committee that will investigate the root causes of these accidents. This will be a great program for cooperatives. The next meeting will be held at Poudre Valley, and he will be attending.

Western United: Barry reported on the Western United meeting, and he stated that they are doing great. They are still working on getting inventory and continuing to deal with the supply chain issues.

Utah Rural Electric Cooperatives Association: Jeff Peterson reported on this in his presentation.

FastTrack: Report will be in executive session.


Committees: None

Executive Session: Fahrion moved to go into executive session for discussion of the FastTrack report and Conexon proposal, seconded by Archibeque. Motion carried. Went into executive session at 1:32 p.m. Came out of executive session at 2:23 p.m.

Adjournment: Meeting adjourned at 2:23 p.m.



Jerry Fetterman, Secretary/Treasurer



Kent Lindsay, Vice President